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Lisa Malagon
Leader
Federal and State Compliance

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AZ CORP COMMISSION
DOCKET CONTROL

Mail Station 9712
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-5671
Elisa.Malagon@aps.com

May 7, 2014

ORIGINAL

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company's Residential Critical Peak Pricing Program
Docket No. E-01345A-11-0250

Pursuant to Decision No. 73139, dated May 1, 2012:

Arizona Public Service Company shall file a report evaluating the costs and benefits of each Critical Peak Pricing Program each May, beginning 2013 (for the previous summer season).

Attached please find the 2013 Evaluation Report for the Critical Peak Pricing Program. If you have any questions regarding this information, please contact Charles Miessner at (602)250-3081.

Sincerely,

Lisa Malagon

LM/si
Attachment

cc: Brian Bozzo

Arizona Corporation Commission

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**Arizona Public Service Company
Critical Peak Pricing Program
Evaluation Report
May 2014**

In Compliance with Decision No. 73139,
Docket No. E-01345A-11-0250

**Arizona Public Service Company
Critical Peak Pricing Program
Evaluation Report
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BACKGROUND

In January 2010, Arizona Public Service Company (“APS”) implemented two experimental demand response pricing rates: residential critical peak pricing rate schedule CPP-RES and general service critical peak pricing rate schedule CPP-GS. These rates were approved in Decision No. 71448 for a period of two years as part of a pilot program. On May 1, 2012 the Arizona Corporation Commission in Decision No. 73139 approved APS’s request to continue both rates until the next general rate case.

APS has evaluated the program for years 2010 through 2012. This report is a continuation of that evaluation and will provide an estimate of program benefits and costs for the 2013 summer months.

PROGRAM DESCRIPTION

Critical Peak Pricing program (also known as Peak Event Pricing) is a rate rider that is in addition to the customer’s standard rate plan. This provides a high price signal over a small number of core summer peak days and hours. The program can be called when the Company is experiencing extreme temperatures, very high electrical demand, high market electric costs, or is experiencing a major generation or transmission disturbance. The critical peak price signal is “dynamic” in that it is callable by APS for up to 18 days (minimum 6 days) or 90 hours during weekdays from June through September. APS declares a “critical event” day and notifies participants by 4:00 p.m. the prior day. During an event the customer is charged the higher price for consumption between hours 2 p.m. and 7 p.m. The customer also receives a discount for all consumption during the June through September billing cycles. The prices are designed such that the monthly discount equals the critical peak charge for a typical customer. Therefore, to save money, the customer must be able to reduce usage during critical hours.

For CPP-GS, a customer must demonstrate the capability of reducing load by 200 kW prior to going on the rate schedule. Unfortunately, CPP-GS has not been able to attract any full-time customers in large part because the “Peak Solutions” program, a demand response offering under the Company’s approved annual Energy Efficiency Implementation Plans, is more beneficial to customers otherwise able and willing to manage their load during peak hours. Thus, APS only can report results for the residential CPP-RES program.

RESULTS

Customer Response

For the June through September 2013 summer period, a total of 17 critical events were called. The program participation included 647 residential customers. The estimated load reduction or response is shown in the following table:

CPP-RES	
Total Response (kW)	448
Response per Customer (kW)	0.69
Response (%)	19%

Benefits and Costs

Benefits to the participant:

- Customers who participated in the program reduced on average 0.69 kW, or 19% of their load during critical hours.
- The average monthly bill savings was 4.1%, where 2.7% came from the program and 1.4% from lower bill savings under the customer's retail rate.

Benefits and Costs to APS:

Benefits

- The program provided APS with the generation call option of up to 18 events.
- The program reduced on average 448 kW or 38,100 kWh. Based on this estimate, the generation cost avoided was \$9k.

Costs

- The program budget for 2013 was \$40k for Measurement, Evaluation and Reporting (MER), and Marketing. Since the MER was performed within APS, and the majority of participants carried over from the prior year, the budget expenditures were insignificant.
- Critical Peak Pricing was designed to be revenue neutral for the average customer who goes on the program and does not reduce load. For this case, the higher price charge assessed for all critical hours is equivalent to the energy discount applied to the total usage for June through September. If the customer happens to reduce load, then they receive an incentive payment based on APS's avoided costs less a reserved amount of \$0.0185 per kWh which is set aside for program costs.